

Equity Research | BONZUN: Evolve to drive doubling of revenues in 2023

After a comprehensive adjustment of business focus, balance sheet, costs and valuation in 2022, along with a recent restocking of the coffers, Bonzun is now set to leverage its position at the centre of the two megatrends digital stress management and IVF, in the form of digital IVF support. With the Swedish Security Council and Swedish municipalities as the main drivers we expect a doubling of revenues in 2023 and again in 2024 before positive cash flow in 2025. This lends support for a fair value of 0.5-0.7 SEK per share in 12-24 months.

New costume in several dimensions

The result in Q4'22 was heavily affected by writedowns of SEK 16m, attributable to old acquisitions that were revalued following the significant changes in company valuations seen in 2022. This meant that turnover amounted to SEK 1m for the full year 2022, in line with our expectation, while EBIT landed at SEK -34m. Now with a cost level and balance sheet that better reflects the business, we see good conditions for growth in 2023 and 2024.

In Q4'22, Bonzun signed a framework agreement for its digital CBT, Evolve with the Swedish Security Council (TRR) that covers some 20,000 of the 1.1 million civil servants eligible to seek aid from the TRR. Evolve is sold both directly and via therapists and coaches, which means that the company can quickly scale up the business now that Bonzun has been approved by Swedish Social Insurance Agency as organizer of workplace-oriented rehabilitation support. This will likely also support the company's novel initiative to pursue municipalities for Evolve, which has already been shown in the two agreements with Essunga municipality and Jokkmokk municipality during Q1'23.

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Stress and infertility are two of the great health and societal challenges of our time. Both Bonzun's products offer evidence-based treatments for these challenges, and as for Bonzun IVF, it has been shown to reduce dropout rate and increase the probability of getting pregnant by 49%.

We now forecast Bonzun Evolve to outpace Bonzun IVF in 2023, with 2,000 Evolve-licenses sold in 2023 and 4,000 in 2024, at an average price of SEK 1,500 per license. After severe cost cutting measures in 2022 we see a fair chance for Bonzun to turn to positive cash flow in 2025 (base case), and potentially already in 2024 should Evolve gather momentum. With the SEK 12m before costs that the company raised earlier in Q1'23, our combined DCF and valuation multiples approach provide support for a fair value of 0.5-0.7 SEK per share in 12-24 months.

Read report here https://www.emergers.se/bonzun_b2/



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